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balanced budgets and honest money, the removal of trade barriers and the settlement of international debts. If America could use her claims against Europe to promote so happy a solution of Europe's problems she would render herself at the same time the greatest of all services. She would bring to an end

the period of world-wide calamity which began nearly eight years ago and has continued through years of disastrous war and years of equally disastrous peace. She would reopen her own mills and factories, return the unemployed to their jobs, and restore her farmers to prosperity.

## The Public Financial Burdens of the Principal Countries of the World

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IN Table I on page 116, an attempt has been made to compare the public debt and debt charges of the leading fifty countries of the world, comprising 83 per cent of the world's total population. It will be found that nations other than participants have barely doubled their debt since 1914; in the war-ridden countries there has been an eight-fold increase. Inflation has been one of the primary factors in the growth of public debts; it has lessened the intrinsic purchasing power of the monetary unit. Continual inflation tends to lighten the burden of the debt, while deflation operates in the reverse manner. The former stimulates business, causes a restriction in consumption and reduces the output of luxuries, thus setting commodities free for the use of the state; the latter factor, on the other hand, enriches the speculator at the expense of the citizens of the state involved. As deflation succeeds inflation, the burden of the debt becomes *pari passu* heavier and heavier. This is the problem confronting the future.

Before the War, France had the largest per capita debt of all countries in the list, with the exception of

Honduras<sup>1</sup> and New Zealand.<sup>2</sup> Today, Austria stands first, followed closely by Hungary, Germany, France, Belgium and the United Kingdom. Territorial re-arrangements resulting from the peace treaties account for the material enhancement in the per capita debt of the first two countries in particular.

An interesting observation to be recorded is that debt charges do not always keep pace with the growth in nominal amount of debt. A great deal depends upon the methods pursued in financing the government's requirements. Paper money directly issued by the state, as in Italy and Russia, involves no interest charges; while currency issued indirectly by the state through the medium of banks of issue who discount treasury bills, as in the case of Germany, Austria, etc., or through banks that make a direct loan to the government, as in the case of France, constitutes a debt the interest requirements of which are compara-

<sup>1</sup> Cognizance being taken of back interest accumulating since 1873.

<sup>2</sup> Government ownership largely explains the heavy per capita debt.

TABLE I—COMPARATIVE STATEMENT OF THE INDEBTEDNESS OF PRINCIPAL COUNTRIES

COUNTRY	PRE-WAR FIGURES					LATEST FIGURES					
	POPULATION (THOU- SANDS) (1)	PUBLIC DEBT (MILLION DOLLARS)	DATE	ANNUAL DEBT CHARGES (MILLION DOLLARS)	PUBLIC DEBT PER CAPITA (DOLLARS)	ANNUAL DEBT CHARGES (MILLION DOLLARS)	DATE	PUBLIC DEBT (MILLION DOLLARS)	ANNUAL DEBT CHARGES (MILLION DOLLARS)	PUBLIC DEBT PER CAPITA (DOLLARS)	ANNUAL DEBT CHARGES PER CAPITA (DOLLARS)
A. Entente Countries (Active Belligerents)											
United States.....	105,683	1,097	June 30, 1914	23	9.72	23,439 (2)	Dec. 31, 1921	975 (2)	221.79	9.23	9.23
United Kingdom.....	47,387	3,458	Aug. 1, 1914	119	72.97	38,120 (3)	Dec. 10, 1921	1,680 (3)	804.44	35.45	35.45
Canada.....	8,361	544	Mar. 31, 1914	13	65.05	3,041 (4)	Nov. 30, 1921	142 (4)	363.71	16.98	16.98
India.....	319,075	1,495	Mar. 31, 1914	70	4.69	2,264 (5)	Mar. 31, 1920	114 (5)	7.10	0.36	0.36
Australia.....	5,426	93	June 30, 1914	3	17.14	1,956 (6)	June 30, 1921	80 (6)	360.49	14.74	14.74
New Zealand.....	1,218	446	Mar. 31, 1914	13	366.17	961 (7)	June 30, 1921	35 (7)	789.00	28.74	28.74
Union of South Africa.....	6,872	615	Mar. 31, 1914	24	89.49	847 (8)	Mar. 31, 1920	35 (8)	123.25	5.09	5.09
Egypt.....	12,751	438	Jan. 1, 1914	23	34.35	422 (9)	Mar. 31, 1920	23 (9)	33.10	1.80	1.80
France.....	39,403 (1)	6,598	July 31, 1914	252	166.20	52,766 (10)	Oct. 1, 1921	2,487 (10)	1,339.14	63.11	63.11
Italy.....	36,740	3,031	June 30, 1914	103	82.50	21,269 (11)	Oct. 31, 1921	807 (11)	578.91	21.97	21.97
Russia.....	136,000 (1)	5,092	Jan. 1, 1914	218	28.77	25,383 (12)	Sept. 1, 1917	766 (12)	186.64	5.63	5.63
Japan.....	55,961	1,261	July 31, 1914	54	22.53	1,216 (13)	Aug. 31, 1921	67 (13)	21.73	1.14	1.14
Portugal.....	5,958	437	Sept. 30, 1913	31	73.35	2,061 (14)	June 30, 1920	44 (14)	345.92	7.89	7.89
Rumania.....	17,393 (1)	319	Sept. 30, 1913	21	42.53	5,800 (15)	Nov. 1921	386 (15)	333.47	22.19	22.19
Belgium.....	7,658	722	Jan. 1, 1914	25	94.28	6,562 (16)	Dec. 1921	235 (17)	856.88	30.69	30.69
Finland.....	3,332	32	Jan. 1, 1914	1	9.60	373 (18)	Oct. 31, 1921	41 (18)	111.94	12.30	12.30
Greece.....	8,970 (1)	188	Jan. 1, 1914	8	41.78	1,004 (19)	Nov. 1921	36 (19)	125.50	4.50	4.50
Poland.....	24,272	174	Jan. 1, 1914	...	35.00	2,410 (20)	Oct. 1921	117 (20)	99.29	4.82	4.82
Serbia.....	11,338	174	Jan. 1, 1914	9	35.00	548 (21)	Dec. 31, 1920	27 (21)	48.33	2.38	2.38
Montenegro.....	1	1	Jan. 1, 1914	...	24.68	1,254 (22)	Aug. 1921	45 (22)	41.04	1.47	1.47
Brazil.....	30,554	754	Jan. 1, 1914	37	29.52	191,596		8,142	216.88	9.22	9.22
Total, Entente Countries	883,382	26,725		1,047	29.52						

*B. Central European Countries*

	55,100	1,228	Mar. 31, 1914	42	18.11	0.62	79,016 (23)	Nov. 30, 1921	2,471 (23)	1,433.95	44.92
Germany .....	6,139	2,631	Aug. 1, 1914	101	86.15	3.27	11,298 (24)	Dec. 31, 1921	572 (24)	1,840.36	109.46
Austria .....	7,841	1,602	Aug. 1, 1914	53	78.53	2.60	11,931 (25)	Mar., 1, 1921	594 (25)	1,524.17	14.48
Hungary .....	13,636	..	..	..	..	..	8,220 (26)	Jan., 1, 1921	210 (26)	595.48	13.40
Czecho-Slovakia .....	5,000	171	July, .. 1914	8	35.63	1.67	2,232 (27)	Mar. 31, 1921	80 (27)	230.40	16.00
Bulgaria .....	8,000	667	Mar. 31, 1914	45	31.33	21.15	2,049 (28)	Aug. 31, 1919	88 (28)	256.13	11.00
Turkey .....											
Total—Central Euro- pean .....	95,716	6,299		249	39.66	1.57	113,686		4,105	1,187.74	42.89
Total—All Belligerents .....	979,098	33,024		1,296	31.05	1.22	305,282		12,247	311.79	12.51

*C. Other Countries*

	8,284	516	Jan. 1, 1914	35	62.29	4.23	804 (29)	Oct., 1921	53 (29)	97.05	6.40
Argentina .....	2,890	16	Jan. 1, 1914	2	5.54	0.69	21 (30)	Nov., 1921	1 (30)	7.27	0.35
Bolivia .....	3,755	177	Jan. 1, 1914	14	47.14	3.73	239 (31)	Nov., 1921	18 (31)	63.65	4.79
Chile .....	325,000	479	Jan. 1, 1914	30	1.47	0.92	925 (36)	Oct., 1920	64 (36)	2.85	0.20
China .....	5,847	21	Jan. 1, 1914	1	3.59	0.17	31 (32)	May 31, 1921	5 (32)	5.30	0.86
Colombia .....	464	18	Jan. 1, 1914	1	3.88	0.22	31 (33)	Dec. 31, 1920	3 (33)	6.68	0.65
Costa Rica .....	2,899	68	Jan. 1, 1914	4	23.46	1.38	136 (34)	July, 1921	7 (34)	46.91	2.41
Cuba .....	3,269	97	Jan. 1, 1914	3	29.67	0.92	318 (35)	Dec. 31, 1921	13 (35)	97.28	3.98
Denmark .....	2,000	21	Mar. 31, 1914	3	10.50	1.50	25 (37)	Jan., 1, 1920	2 (37)	12.50	1.00
Ecuador .....	2,232	15	Jan. 1, 1914	1	6.72	0.45	27 (39)	Dec. 31, 1920	2 (38)	12.10	0.90
Guatemala .....	637	120	Jan. 1, 1914	1	188.38	1.57	137 (39)	June 30, 1921	.. (39)	215.07	..
Honduras .....	15,502	223	Jan. 1, 1914	17	14.39	1.10	422 (40)	Dec. 31, 1921	21 (40)	27.22	1.35
Mexico .....	6,926	470	Jan. 1, 1914	15	67.86	2.17	1,237 (41)	June 30, 1921	75 (41)	178.60	10.83
Netherlands .....	746	7	Jan. 1, 1914	..	0.94	..	8 (42)	Jan., 1, 1921	.. (42)	10.72	..
Nicaragua .....	2,646	96	Jan. 1, 1914	5	36.28	1.89	313 (43)	Dec. 31, 1920	13 (43)	118.29	4.91
Norway .....	1,000	9	Jan. 1, 1914	1	9.00	1.00	14 (44)	Dec. 31, 1920	1 (44)	14.00	1.00
Paraguay .....	5,800	41	Jan. 1, 1914	2	7.07	0.34	34 (45)	Jan. 1, 1920	2 (45)	5.86	0.34
Peru .....	1,336	11	Jan. 1, 1914	2	8.23	1.50	15 (46)	June 30, 1920	2 (46)	12.28	0.75
Salvador .....	1,890	11	Jan. 1, 1914	79	90.68	3.79	2,837 (47)	Dec. 31, 1920	110 (47)	136.11	5.28
Spain .....	5,847	167	Jan. 1, 1914	9	28.56	1.54	390 (48)	Nov., 1921	119 (48)	66.70	3.25
Sweden .....	3,885	28	Jan. 1, 1914	2	7.20	0.51	814 (49)	Oct. 31, 1921	22 (49)	209.52	5.66
Switzerland .....	1,463	132	Jan. 1, 1914	8	90.23	5.47	180 (50)	Dec. 31, 1920	16 (50)	123.03	10.94
Uruguay .....	2,853	34	Jan. 1, 1914	1	11.92	0.35	25 (51)	Jan., 1, 1920	2 (51)	8.76	0.70
Venezuela .....								Dec. 31, 1920			
Total .....	426,124	4,656		236	10.93	.55	8,983		450	21.08	1.06
GRAND TOTAL .....	1,405,222	37,680		1,532	25.29	1.03	314,265		12,697	22.36	9.04

tively low.<sup>3</sup> As credit stringency develops during the course of an emergency, it becomes less and less attractive to incur a funded debt, because interest rates begin to mount and the burden grows proportionately.

In using the data presented in Table I, there are two facts to be borne in mind. First, foreign currencies have been converted into United States money at pre-war parity for countries nominally or actually on a gold basis; where current figures were stated in terms of a highly depreciated currency, as in Poland, Austria, etc., approximate exchange equivalents were employed. To convert all foreign debts at exchange values would be inadvisable in view of the serious disparity between internal purchasing power and external values of various national currencies. Second, the figures given in the Table take into consideration neither loans of one government to another nor offsetting assets. Loans and advances of the United States to her allies totalled \$10,094 millions (net) on November 30, 1921;<sup>4</sup> of Great Britain, £2,017 millions, on March 31, 1922;<sup>5</sup> of France, 14,082 million francs on June 30, 1921;<sup>6</sup> and of Germany, 12,031 million marks as of March 31, 1920.<sup>7</sup> In addition, there are treasury assets, such as sinking funds, government-owned railroads, posts, telegraphs, waterfalls, shipping, state industries, etc., which counterbalance in part the total gross indebtedness.

<sup>3</sup> Furthermore, a large portion of actual interest payments made to banks flows back into the government coffers in the shape of taxes and state participation in profits.

<sup>4</sup> Statement of the Public Debt of the United States, November 30, 1921.

<sup>5</sup> Including loans for relief, reconstruction loan to Belgium and miscellaneous items, according to Budget speech.

<sup>6</sup> Bulletin de Statistique et de Legislation Comparée, August, 1921, p. 379

<sup>7</sup> Brussels Financial Conference, Section on Public Finance.

A debt, simply stated, is a relative term, and unless it is related to resources or assets, its numerical presentation carries little significance. The principal difficulty in this connection is, however, to be found in securing recent data bearing on national wealth and income. The only estimates available for all countries, with the exception of the United States and Japan, appertain to pre-war conditions only. In Table II, an attempt is made to furnish a comparison between debt and pre-war wealth, and debt charges and pre-war income, both before the War and at the most recent date. This compilation possesses, however, two serious shortcomings: first, inflation is allowed to remain in the debt and interest factors, while pre-war wealth is stated in terms of gold currency; second, the changes in national wealth since 1914 are not taken into consideration. Partly to overcome these objections, Table III is presented, which aims to eliminate the factor of inflation in countries where index numbers are available. By dividing up into periods the years since the outbreak of the War and evaluating the increases in the absolute amount of national indebtedness by means of price index numbers, current national debts have been adjusted to the 1913 gold basis. These figures are directly comparable with the estimates of pre-war national wealth, with allowances for loss of resources under the Peace Treaty.

With the element of inflation thus removed, it is found that Germany's debt constitutes 42 per cent of the pre-war national wealth of the territory she now occupies; in the case of Italy, 41.4 per cent; in France, 38.3 per cent; in United Kingdom, 34.3 per cent; in United States, only 7.7 per cent; in Denmark, 7.8 per cent, and in Switzerland, 5.6 per cent.

The fact should not be overlooked

TABLE II—DEBT AND DEBT CHARGES AS RELATED TO PRE-WAR NATIONAL WEALTH AND INCOME

COUNTRY	PRE-WAR NATIONAL WEALTH (Million Dollars)	PRE-WAR NATIONAL INCOME (Million Dollars)	DEBT AS PERCENTAGE OF PRE-WAR NATIONAL WEALTH		DEBT CHARGES AS PERCENTAGE OF PRE- WAR NATIONAL INCOME	
			Before the War	At most recent date	Before the war	At most recent date
A. Entente Powers						
United States . . . . .	204,400	35,300	0.5	11.5	0.1	2.8
United Kingdom . . . . .	70,500	11,000	4.9	54.1	1.1	15.3
Australia . . . . .	7,400	1,300	1.3	26.4	0.2	6.2
Canada . . . . .	11,100	1,500	4.9	27.4	0.9	9.5
France . . . . .	58,500	7,300	11.3	90.2	3.5	34.1
Italy . . . . .	21,800	3,900	13.9	97.6	2.6	20.7
Japan . . . . .	11,700	1,600	10.8	10.4	3.4	4.0
Russia* . . . . .	60,000	6,500	8.5	42.3*	3.4	11.8*
Belgium . . . . .	5,800	475	12.5	113.1	5.3	49.5
Brazil . . . . .	12,000	950	6.3	10.5	3.9	4.7
Total—Entente Powers.	463,200	69,825	4.9	37.8	1.2	10.4
B. Central Powers						
Germany . . . . .	80,500	10,500	1.5	98.2	0.4	23.5
Austria-Hungary . . . . .	30,100	4,000	14.1	88.4	3.9	34.8
Turkey . . . . .	4,000	500	16.7	51.2	9.0	17.6
Bulgaria . . . . .	4,000	500	4.3	31.3	1.6	16.0
Total—Central Powers.	118,600	15,500	5.2	91.8	1.6	26.0
Total—Belligerents.	581,800	85,325	5.0	48.8	1.3	13.3
C. Neutrals						
Argentina . . . . .	11,700	950	4.4	6.9	3.7	5.6
Denmark . . . . .	2,400	200	4.0	13.3	1.5	6.5
Netherlands . . . . .	5,100	400	9.2	24.3	3.8	18.8
Norway . . . . .	1,100	100	8.7	28.5	5.0	13.0
Spain . . . . .	14,300	1,100	13.2	19.8	7.2	10.0
Sweden . . . . .	4,600	375	3.6	8.5	2.4	5.1
Switzerland . . . . .	3,900	300	0.7	20.9	0.7	7.3
Total—Neutrals . . . . .	43,100	3,425	7.6	15.6	4.3	8.9
GRAND TOTAL . . . . .	624,900	88,750	5.2	46.5	1.4	13.1

\* Exclusive of obligations incurred during the Soviet régime.

that not all of the indebtedness incurred during the War represented a corresponding destruction or loss of national wealth. It is true that the emergency transformed the vast numbers called to the colors into an army of non-producers in the widest economic sense and with a broad sweep wiped out the surplus of production over consumption which normally resulted from their labors. There were, however, elements to be considered, which in part counterbalanced the loss in normal production. Enhanced productivity in non-war lines of industrial activity, stimulated by patriotic motives, increased output by virtue of employment of women, minors and unemployables to a larger extent than is true of normal periods; suppression of luxury manufacturing and enlargement of capacity

of necessary industries, including agriculture, all contributed appreciably to the offsetting process. Insofar as a part of the equipment was scrapped after the War, there was an economic loss. But the greatest destruction was, of course, the failure to accumulate an annual surplus which has formed the backbone of the world's economic progress during the past century. This was further accentuated by losses due to deaths and incapacitation. The consumption of war materials and the destruction of property made heavy inroads on national wealth, but it is essentially the former which found its way into the public accounts during the War, although during the reconstruction period restoration of property began to assume an important position.

TABLE III—RELATION OF DEBT TO WEALTH ON A PRE-WAR BASIS

COUNTRY	PRE-WAR WEALTH (Million Dollars)	PER CAPITA (Dollars)	PRESENT DEBT AD- JUSTED TO 1913 BASIS (Million Dollars)	PER CAPITA (Dollars)	RATIO OF PRESENT ADJUSTED DEBT TO PRE-WAR NATIONAL WEALTH (Per cent)	RATIO OF PRE-WAR DEBT TO PRE-WAR NATIONAL WEALTH (Per cent)
United States.....	204,400	1934	15,746	149	7.7	0.5
United Kingdom.....	70,500	1488	24,153	510	34.3	4.9
Canada.....	11,100	1328	2,080	249	18.7	1.3
Australia.....	7,400	1364	1,378	254	18.6	4.9
France.....	62,000	1574	23,731	602	38.3	11.2
Italy.....	21,800	593	9,033	246	41.4	13.9
Russia.....	60,000	441	13,208	97	22.0	8.5
Japan.....	11,700	209	1,249	22	10.7	10.8
Germany.....	68,400	1241	28,716	521	42.0	1.5
Denmark.....	2,400	734	186	57	7.8	4.0
Netherlands.....	5,100	736	783	113	15.3	9.2
Norway.....	1,100	416	183	69	16.6	8.7
Sweden.....	4,600	787	259	44	5.6	3.6